

MR. O'CONNOR: Good afternoon. My name is Jim O'Connor. I work at Mountain Coal Company. I've been in Colorado mining since 1972. And my topic today is the fair market value determination. The current method is in need of improvement. Because the current process does not allow a fair return to component leasing [indiscernible] and it's a formula for them to fail. Any circumstances, there's only one adjacent active mining operation. Mining is a very capital-intensive process. Few people can afford the \$100 million to \$400 million price tag to open a new mine. So, ground field expansions of mines are more common than new construction. When this is the case, the BLM conducts a study to estimate the mining cost -- realize - the realization and capital expenditures for proponent to complete mining with existing reserves. This is used as a base case analysis from which an incremental analysis is conducted estimating the mining cost, realization and capital requirement required to develop into the proposed lease. All of the advertised reserves are assumed to be mined and an alternative case is developed. An incremental analysis between the two cases is conducted using a discount rate of 10 percent. The fair market value of the bonus bid is determined by the amount that will result in an [indiscernible] of zero. This can result in exaggerated values for the bonus bid and unhealthy financial returns for the proponent in the following areas. One, the proponent is given no credit for the assets already employed at the existing operation. And the proponent is not given the means to recover that value. This can negate millions in existing investment. Estimate -- number 2, estimated reserves are [indiscernible] higher than actual reserves [indiscernible] lowering the proponent's return. Number 3, costs tend to be understated in this type of analysis. It's common to miss necessary expenditures in analysis of this type. And a 10 percent contingency should be applied. Number 4, capital usually is underestimated in long-term plans. And it is commonly -- it is common to apply the 10 percent contingency to allow for unknowns. Number 5, the 10 percent discount rate is lower than most mining companies' cost of capital. A more realistic discount rate is 20 percent. A viable mine will return the maximum value to the taxpayer. Using a more conservative method -- using more of a conservative method to determine the fair market value will enhance the likelihood that the mine operator will be able to

continue operations, continue to pay royalties to the BLM, wages to the persons employed at the mine, property taxes to the surrounding counties, and other taxes and fees that are normal cost -- that are the normal cost of mining. Thank you.